

Minute of the sixtieth meeting of the Water Industry Commission for Scotland
Held on 4 and 5 October in Stirling

- Present:** Sir Ian Byatt (Chairman)
Professor David Simpson (Deputy Chairman)
Professor John Banyard
Dr Michael Brooker
Mr Charles Coulthard
Mr Alan Sutherland (Chief Executive)
- In attendance:** Mrs Katherine Russell (Director of Corporate Affairs)
Mr Ian Tait (Director of Investment) for section 6
Mr John Simpson (Director of Analysis) for section 7
Mrs Donna Very
Ms Sophia Wilson

Chairman's opening remarks

The Chairman welcomed everyone to the meeting and thanked them for attending the 60th meeting of the Commission.

1. Apologies for absence

None

2. Minute of previous meeting and review of action points

2.1 Declaration of conflicts of interest in relation to the Agenda

None

2.2 Minutes of last meeting (06/10)

The Commission agreed the minute subject to minor amendments.

3. Update on current issues

3.1 Working with stakeholders and other current issues (CP78/10)

The Commission noted CP78/10, an update on the work of stakeholders and significant external events.

3.2 Update from CMA

The Commission noted the update from the CMA.

4. Corporate Affairs

4.1 Finance & Contracts paper (CP79/10)

The Commission welcomed the cost savings achieved by the office and looked forward to a reforecast paper to the December Commission meeting which will provide assurance over the cash balance going forward. It recognised the need to plan expenditure of a fixed amount over a five-year period over which costs could be expected to rise.

4.2 Audit Committee paper (CP80/10)

The Commission welcomed the value for money work being carried out by the Internal Auditors. It requested that in future years it should be aligned with the Commission's priority objectives.

4.3 Key messages for Performance Report (CP81/10)

The Commission agreed the key messages for the Performance Report 2009-10 subject to additional information on the complex picture on the sign-off of capital projects.

4.4 Oral update: OCPAS Code Event

The Chairman reported on his attendance at the OPCAS Information day in Inverness. The Commission agreed a response to the OPCAS Consultation on its revised Code of Practice.

4.5 Oral update: Appointment of new Commission members

The Chairman reported on the process being adopted by Ministers for the appointment of a new Chairman and new Members to serve from July 2011.

The Commission, recognising that such appointments were for Ministers, is ready to help in any way thought helpful.

4.6 Bolt Report (CP82/10)

The Commission agreed with the broad thrust of the draft response introduction report subject to minor amendments. The Commission agreed that the report should be sent to the Cabinet Secretary and a number of key stakeholders. It would also be published on our website. The Commission noted the relevance of the report to the recommendations in Audit Scotland's report on the Role of Boards.

5. Competition

5.1 Oral update licencees

The Commission was pleased to acknowledge the progress Aimera was achieving within the competitive market. The Commission noted that the issue of new connections had been raised.

5.2 Update on communications (CP83/10)

The Commission welcomed the increasing use of Scotland on Tap.

5.3 Business Stream IT Service Level Agreement (CP84/10)

The Commission approved the final IT service level agreement between Business Stream and Scottish Water. It was pleased to note the continuing movement towards a complete arm's length relationship between wholesaler and retailer.

6 Investment

6.1 Overall measure of delivery (CP85/10)

The Commission welcomed the opportunity to discuss OMD. The Commission wished to continue to receive regular reports on the sign-off of projects by the Quality Regulators (SEPA and DWQR). It would welcome such information as would be given to OMG on specific issues underlying final scope sign-off included in OMD. It also wished to be reassured that otherwise the same information was being presented both to the Commission and the Board of Scottish Water.

6.2 Investment summary 2006-10 (CP86/10)

The Commission was pleased to note that Scottish Water appeared to be broadly successful in delivering its capital programme and this will be reflected in the Commission's Performance Report. There were some outstanding

projects from the 2002-06 and 2006-10 regulatory periods. It was, however, expected that they would be completed in the next two years.

7. Strategy

7.1 Forward workplan for I³ (CP87/10)

The Commission agreed the forward workplan subject to a number of additional deliverables being included, in particular the involvement of the quality regulators. It looked forward to further discussion on the role of financial indicators.

Arising out of recent discussions, the Commission wishes to develop a Communication Strategy. It wishes to have a first discussion on the scope and objectives of such a strategy at its December meeting.

7.2 Oral update: Potential legislation on Scottish Water non-core activities

Risk Workshop

The Commission conducted its six monthly review of its Risk Register. It noted the greater importance of reputational risk. It also discussed the need to adapt to as well as to mitigate risk.
